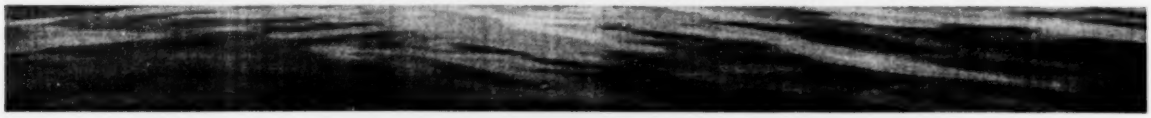
Fisheries and Oceans Canada | Pêches et Océans Canada



Marine Outlook

Highlights of the Marine Industry

MAY 2009

ISSUE 25

TABLE OF CONTENT

Ports in Quebec 1
Seaway 6
Maritime transport in Canada 6
Maritime transport Quebec 7
Environment 7
Commodities 9
Ferries 10
Excursion cruises 11
International cruises 11

PORTS IN QUEBEC

Montreal

Drop in handled tonnage

Tonnage handled at the Port of Montreal totalled 5.2 Mt during the first quarter of 2009, or a 14 % drop in comparison to the same period of last year. As with many other ports on the St. Lawrence River, the Port of Montreal is feeling an impact from the global economic recession. All commodity categories recorded decline in their handled tonnages. Containerized commodities decreased by 15 %, while transhipments of liquid cargo and dry bulk cargo respectively declined by 2 % and 33 %. At the same time, the port welcomed 279 ships, or twenty or so less than during the first quarter of 2008.[1]

Last January, the Port of Montreal received the Green Award plaque. This recognition award, issued by the Green Award Foundation, highlights the fact that the Montreal Port Authority made the decision to offer a 10 % discount on harbour dues for all ships that are Green award certified.[2]

Quebec

Drop in handled tonnage

On March 31, 2009, the tonnage handled at the Port of Quebec totalled 4.7 Mt, or a 2.5 % drop in comparison to the same period of last year. Dry bulk cargo transhipments (alumina, nickel, iron, cereals, etc.) recorded a 12 % increase while liquid cargo tonnage (petroleum and chemical products) declined by 7 %. Furthermore, the port welcomed 194 ships during the first quarter of the year, or some twenty less than during the first quarter of 2008.[3]

Port authorities predict a difficult year for 2009 in terms of tonnage handled, and this, due to the global recession currently prevailing. Let us recall that various bulk commodities are sent to Quebec to then be transhipped to smaller ships for destinations on the Great Lakes. Thus, industrial production has been in a steep decline since the start of the recession, therefore reducing the demand for raw materials of which a portion transits through Quebec.[4]

The Port of Quebec is currently operating at full capacity and its spaces are being used. Consequently, the port hopes to execute a port

[1] Montreal Port Authority.

[2] "Le port de Montréal participe à un programme pour encourager les navires certifiés écologiques et sécuritaires", Press release, Montreal Port Authority, January 29, 2009.

[3] Quebec Port Authority.

[4] Saint-Pierre, Annie, "Expansion du port de Québec - Le projet va calmer l'opposition", Le Soleil, March 12, 2009.

expansion project. More specifically, the project would consist of building two new wharfs and developing land to accommodate more solid cargo (ore) and liquid cargo (chemical products) in the Baie de Beauport. Overall, this would increase handled tonnage at the Port of Quebec, making go from 23 Mt to 32 Mt. We should mention that execution of the expansion project depends on the financial participation of the federal government through the infrastructures program.[5]

Port-Cartier

Increase in handled tonnage

On March 31, 2009, tonnage handled at the Port of Port-Cartier totalled 3.1 Mt, or 12 % more than for the same period of last year. This improvement is mainly explained by the increase in concentrate and iron pellet tonnages. Moreover, 49 ships transited through the port during the first quarter of 2009, or 4 less than for the same period of last year.[6]

Sept-Îles

Significant drop in handled tonnage

The Port of Sept-Îles experienced a difficult start to the year due to the global economic recession. In fact, in terms of the first quarter, 2.8 Mt of commodities were handled at the port, which were mainly composed of concentrate and iron pellets. This is a 39 % drop in comparison to the first quarter of 2008. Solely speaking of ore transhipments, they declined by 45 %. At the same time, the port welcomed 64 ships, or some twenty or so less than at the same time last year.[7]

The port authority is planning a major expansion of its facilities with two projects totalling $ 370 M. It notably wants to build a deep water wharf for multiple uses, a $ 350 M project which is in its financial research stage. The second project consists of building a wharf to welcome cruise ships measuring 315 meters long. Start of construction could occur this summer and, if applicable, the wharf would be operational in 2010.[8]

Furthermore, tonnage handled at the Port of Sept-Îles is expected to significantly increase over the next years due to the operations of three new iron mines on the North Shore. On a medium-term basis, the total volume of commodities handled at the port could triple, going from 22.6 Mt to more than 60 Mt per year.[9]

Port-Alfred

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Port-Alfred totalled 860,000 t, or 22 % less than during the first quarter last year. The decrease in bauxite, alumina, fluorite and fuel oil transhipments entirely explains this drop in handled tonnage at the Port of Port-Alfred. At the same time, 27 ships transited through the port during the year's first quarter, or 4 less than last year on the same date.[10]

Baie-Comeau

Slight drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Baie-Comeau totalled 560,000 t, or 0.3 % less than on the same date last year, explained by a slight drop in aluminum ore transhipments. In terms of maritime traffic, 36 ships berthed in Baie-Comeau during the year's first quarter.[11]

94,000 t of commodities must be added to this tonnage which transited through the Port of Baie-Comeau via the *Georges-Alexandre-Lebel*

---

[5] Ibid; Gougeon, Jean-Guy, "Québec et Sept-Îles - Pas d'expansion portuaire sans l'apport d'Ottawa", Le Journal de Québec, April 25, 2009.
[6] Port-Cartier Port Authority.
[7] Sept-Îles Port Authority.
[8] Gosselin, Marc, "De grands projets pour le port de Sept-Îles", Les Affaires, from February 21 to 27, 2009; Côté, Caroline, "Quai des croisières - Dévoilement du concept final", Journal Le Nord-Côtier, January 28, 2009.
[9] Ibid
[10] Port-Alfred Port Authority.
[11] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.

train ferry during the first quarter. This represents a 45 % drop in comparison to the same period last year. This decline is explained by a significant decrease in newspaper and aluminum tonnages, a trend which has been observed for some years. However, the current economic recession seems to be intenisfying this tonnage decline in transit between Baie-Comeau and Matane.[12]

Between January and March 2009, the train ferry conducted 24 round trips, or 53 % less than during the first quarter of 2008. Let us recall that between 2004 and 2008, the number of trips has continuously decreased, going from 468 to 320, or a 32 % drop.[13]

The Alcoa aluminum smelter in Baie-Comeau plans to invest some hundreds of thousands of dollars to renovate its deep water wharf. The start of construction work is planned for 2012. For some years now, only wharf n° 1 can be used for regular operations. Wharf n° 2 has been closed since strong storms hit the Baie des Anglais in 2005, while wharf n° 3 is under strict load restrictions. This is why renovation and dredging work have become necessary. By the same token, wharf n° 1 will be extended by 245 meters in order to accommodate much larger ships. Let us recall that the Alcoa port facilities serve mainly to receive the alumina needed for its annual production estimated at 450 tons of aluminum and is used to expedite the aluminum in the form of ingots.[14]

Trois-Rivières

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Trois-Rivières totalled 424,000 t, or 7 % less than during the same period in 2008. Liquid cargo and commodity transhipments have decreased by 17 % and 68 % respectively. Furthermore, solid cargo tonnage has slightly increased by 2 %. The port welcomed 51 ships during the first three months of the year, or some twenty more than for the first quarter of last year.[15]

Due to the economic recession, the Trois-Rivières Port Authority expects an 8 % drop in traffic for 2009. Moreover, the port hopes to conduct modernization work on port facilities by 2020. The project also plans the development of a commodities terminal and additional landscaped areas.[16]

Sorel-Tracy

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Sorel-Tracy totalled 397,000 t, or 49 % less than on the same date last year. This performance can largely be explained by a significant drop in ilmenite tonnage. At the same time, 31 ships transited through the port during the year's first quarter, or 5 less than for the same period of last year.[17]

The Rio Tinto Corporation will temporarily close its metallurgical complex in Sorel-Tracy due to the global financial crisis. The vast majority of QIT-Fer et Titane employees, a subsidiary corporation of Rio Tinto, and employees from the Havre-Saint-Pierre mine are therefore without work for this period. The plant in Sorel-Tracy will close its doors from July 12 to September 8 this year during the interruption of activities at the Havre-Saint-Pierre mine.[18]

Management claims that the temporary closure could continue, depending on global economic conditions, but that a definite closure is absolutely not an option. The QIT-Fer et Titane Company is one of the main raw materials manufacturer's needed for the titanium dioxyde

---

[12] "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*", SOPOR et COGEMA, 2008 and 2009.
[13] Ibid
[14] Paradis, Steeve, "Alcoa veut rénover son quai de Baie-Comeau", Le Soleil, February 21, 2009.
[15] Trois-Rivières Port Authority.
[16] "Augmentation du trafic au port de Trois-Rivières", Les Affaires, from February 7 to 13, 2009.
[17] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.
[18] "Fermeture temporaire de QIT-Fer et Titane", Radio-Canada Website, April 6, 2009.

industry and is a global leader in the production of cast iron, steel and metal powder.[19]

Bécancour

Increase in handled tonnage

On March 31, 2009, tonnage handled at the Port of Bécancour totalled 376,000 t, or 25 % more than for the same period in 2008. The increase in alumina transhipments largely explains this increase in tonnage. The port welcomed 25 ships in 2009, or 2 more than during the first quarter of last year.[20]

Rimouski

Increase in handled tonnage

On March 31, 2009, tonnage handled at the Port of Rimouski totalled approximately 57,000 t, or 29 % more than for the same period of last year. An increase in fuel and petroleum product transhipments explains this increase. Moreover, the port welcomed a total of 11 ships during the first quarter, or 2 more than for the same period last year.[21]

The Port of Rimouski will benefit from the closure of oil handling terminals in the Ports of Gaspé and Matane. Port facilities will welcome 20 % more ships for petroleum deliveries. Annually, we estimate that approximately 30 oil tankers will conduct transhipments in Rimouski. Let us mention that the channel dredging work planned for this summer will facilitate this increase in activities. Dredging will allow oil tankers to enter and exit the harbour without having to wait for high tide.[22]

Port Saguenay

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Port Saguenay totalled approximately 55,000 t, or 7 % less than during the first quarter of 2008. The decrease in de-icing salt transhipments largely explains this decline in tonnage. Furthermore, the port has welcomed 11 ships since the beginning of the year, or 3 more than on the same date last year.[23]

The town of Saguenay and Port Saguenay have officially launched the development project for a railway track connecting the Grande-Anse maritime terminal to the current railway track of Rio Tinto Alcan. The project should be completed by the end of 2013. The mayor of Saguenay as well as the port authority believe it is necessary to invest in the port's growth and that this should be done by the development of a railway network.[24]

Gaspé

Increase in handled tonnage

On March 31, 2009, tonnage handled at the Port of Gaspé reached 33,000 t, or a 94 % increase in comparison to the first quarter of last year. This increase is mainly explained by the handling of new commodities, liquid commodities. At the same time, the port welcomed 7 ships during the first quarter of the year, or 2 more than for the same period of last year.[25]

After experiencing a 165 % increase in tonnage, transhipment activity forecasts are very good for 2009. The Construction DJL Company, which is in discussions to obtain new contracts, could resort to using the services of some ten or so ships. Furthermore, the LM Glasfiber Company plans to export over 300 blades over the next

---

[19] Ibid
[20] Bécancour Port Authority.
[21] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.
[22] "Une fermeture profitable", Radio-Canada Website, March 13, 2009.

[23] Port-Saguenay Port Authority; Lévesque, Laura, "Augmentation des activités de 16 %", Le Quotidien, January 2, 2009.
[24] Gravel, Anne-Marie, "Saguenay veut développer Grande-Anse", Progrès-Dimanche, March 22, 2009.
[25] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.

months which would double their exports from the last two years in just one year.[26]

Havre-Saint-Pierre

On March 31, 2009, tonnage handled at the Port of Havre-Saint-Pierre totalled 29,560 t. The port welcomed 7 ships during the first quarter.[27]

Pointe-au-Pic

Increase in handled tonnage

On March 31, 2009, tonnage handled at the Port of Pointe-au-Pic totalled 22,200 t, or a 15 % increase which is entirely explained by an increase in newspaper tonnage. Moreover, the port welcomed 5 ships, or 2 more than during the first quarter last year.[28]

Gros-Cacouna

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Gros-Cacouna neared 10,200 t, or a 4 % decrease in comparison to the same period last year. The drop in newspaper transhipments entirely explains this decline in tonnage in Gros-Cacouna. In terms of maritime traffic, the port welcomed 3 ships during the first quarter, or the same amount as on the same date last year.[29]

SUMMARY OF THE FIRST QUARTER OF 2009

Estimation and comparison of tonnages handled in the major ports of Quebec during the first quarters of 2008 and 2009

Liste of ports	2009 Jan.- March	2008 Jan.- March	Trend [30] 2009/ 2008
1. Montreal	5.2 Mt	6 Mt	- 14 %
2. Québec	4.7 Mt	4.8 Mt	- 2.5 %
4. Port-Cartier	3.1 Mt	2.8 Mt	+ 12 %
3. Sept-Îles	2.8 Mt	4.5 Mt	- 39 %
5. Port-Alfred	860 kt	1.1 Mt	- 22 %
6. Baie-Comeau [31]	560 kt	562 kt	- 0.3 %
8 Trois-Rivières	424 kt	455 kt	- 7 %
7. Sorel-Tracy	397 kt	780 kt	- 49 %
9. Bécancour	376 kt	301 kt	+ 25 %
10. Rimouski	57 kt	44 kt	+ 29 %
11. Port-Saguenay	55 kt	59 kt	- 7 %
12. Gaspé	33 kt	17 kt	+ 94 %
13. Havre-Saint-Pierre	30 kt	N.D.	N.D.
14. Pointe-au-Pic	22 kt	19 kt	+ 15 %
15. Gros-Cacouna	10 kt	11 kt	- 4 %
16. Matane [31]	4 kt	36 kt	- 88 %
Total	**18.6 Mt**	**21.5 Mt**	**- 14 %**

Sources: Port Authorities and Transport Canada.

Compilation: DRPE, Fisheries and Oceans Canada, Quebec Region.

M: millions; k: thousands

Matane

Drop in handled tonnage

On March 31, 2009, tonnage handled at the Port of Matane totalled 4,430 t, or 88 % less than on the same date last year. The drop in wood pulp transhipments, caused by the slow-down of exports from the Tembec Company, largely explains this decline in tonnage in Matane during the first quarter. In terms of traffic, the port welcomed only one ship during the first three months of the year.[32]

---

[26] "La récession n'atteint pas le port de Gaspé", Radio-Canada Website, February 25, 2009.
[27] Development and Management Corporation for the Port of Havre-Saint-Pierre.
[28] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.
[29] Ibid

[30] Tonnage trends are calculated from unrounded data pertaining to handled tonnages.
[31] This data does not include the tonnage which transits through the Ports of Baie-Comeau and Matane via the *Georges-Alexandre-Lebel* train ferry.
[32] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec", Transport Canada, 2008 and 2009.

Furthermore, approximately 105,350 t of commodities must be added to this tonnage which transited through the Port of Matane via the *Georges-Alexandre-Lebel* during the year's first quarter. The decrease in forestry and aluminum product transits largely explain this drop in cargo during the first quarter of 2009. The train ferry made 55 round trips (45 between Baie-Comeau and Matane and 10 between Matane and Sept-Îles).[33]

Valleyfield

There was no tonnage handled at the Port of Valleyfield during the first quarter of 2009.[34]

SEAWAY

Opening of 2009 navigation season

The 2009 navigation season on the St. Lawrence Seaway was launched this past March 31. The Corporation de Gestion de la Voie Maritime du Saint-Laurent (CGVMSL) anticipates 50 Mt of commodities will transit through it in 2009.[35]

Expected work on the St. Lawrence Seaway

After 50 years of service, the St. Lawrence Seaway has reached the mid-point of its useful life cycle which was initially predicted when it was built. Approximately 2,800 ships travel on it annually in the Canadian section going from Montreal to Lake Ontario. Nevertheless, the utilization rate or transportation capacity on the Seaway only reaches 55 %, while it was nearly at 100 % in the late 70s.

After half a century of service, major restoration work is required on the Seaway. For example, of the five Canadian locks, there are four with concrete walls showing serious swelling problems. According to experts, the walls of these locks will have to be rebuilt, something that should cost approximately $ 350 M. This year, the conversion to hydraulics of equipment used to operate locks will be completed. We must add that nearly $ 50 M are invested annually into infrastructure improvements on the Seaway: locks, shipping channels, bridges and tunnels, navigation control.[36]

MARITIME TRANSPORT IN CANADA

Major decline in containerized commodity tonnage in Halifax

In 2008, tonnage handled at the Port of Halifax totalled 10.3 Mt, or a 16 % drop in comparison to the previous year. This decrease is a consequence of the significant decline in containerized commodities. In fact, the number of containers handled at the Port of Halifax plummeted from 21 % in 2008, to total 387,347 containers TEU (twenty equivalent units), short of the 400,000 containers, something that has not occurred since 1996. According to port authorities, the North American and international economic recession, the freezing of access to credit, the unpredictability of the Canadian dollar and the increase in fuel prices are all reasons which explain this strong decline.[37]

The recession upsets Steamship Lines

Canada Steamship Lines (CSL) is not spared from the economic recession. The Canadian ocean carrier has to adjust to financial difficulties from one of its major clients, U.S. Steel Canada, a subsidiary corporation of the giant steel smelter United States Steel Corporation, who is getting ready to suspend a majority of activities in its plants in Southern Ontario. For CSL, up to 20 % of its 15 ship fleet

---

[33] "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*", SOPOR et COGEMA, 2008 and 2009.
[34] Port of Valleyfield Corporation.
[35] "Ouverture de la saison de navigation de 2009 et tirant d'eau permis", Seaway notice no 1 - 2009, The Great Lakes Network – St. Lawrence Seaway, February 17, 2009.

[36] Turcotte, Claude, "Un avenir à tracer pour la Voie maritime du Saint-Laurent", Le Devoir, April 20, 2009.
[37] Peters, Tom, "Halifax boxes down 21 % in 2008", Canadian Sailings, February 16, 2009.

could have to remain berthed due to this slow-down in activities by U.S. Steel Canada.[38]

According to the Shipping Federation of Canada, several ship-owners will experience similar difficulties. With the exception of fuel, the economic crisis is hitting all types of commodities. Crude oil remains the only commodity that is still resisting the global consumer decline.[39]

MARITIME TRANSPORT IN QUEBEC

One study recommends measures to improve the strategic position of the St. Lawrence

A study conducted by the IBI Consulting Group on behalf of the Conseil du Corridor Saint-Laurent-Grands Lacs addresses an entire series of recommendations to improve certain existing or future congestion factors on the St. Lawrence waterways and Seaway. These recommendations aim at strategically positioning the St. Lawrence – Great Lakes transportation network to meet business needs during the next decades. Here are a few examples:

- Make the Port of Montreal the hub for all international container traffic.
- Improve and expand dry bulk cargo and liquid cargo transhipment facilities at the Port of Quebec.
- Improve port capacities and access to specialized ports for general commodities.
- The government and the industry should collaborate to extend the navigation season on the St. Lawrence Seaway.
- Improve shipping channels and access to ports thanks to dredging work which would allow ships to transport larger loads.
- Harmonize border regulations and practices between Canadian and American government levels.
- Reduce user fees, pilotage and security fees in order to maximize the system's competitiveness.[40]

ENVIRONMENT

Creation of a control zone for emissions in the coastal waters of North America

Last April, Transport Canada and Environment Canada announced support from the federal government for a joint Canadian-American proposition for the International Maritime Organization (IMO) aimed at creating an emissions control zone (ECZ) in the coastal waters of North America. This proposition would contribute to reducing air pollution, smog and acid rain within coastal zones and lands.

The Canadian-American ECZ proposition would require large ships navigating in designated zones to follow strict standards. More specifically, measures would reduce nitrogen oxide emissions by 80 % and sulphur oxides by 96 %.

An IMO committee will examine the proposition for the creation of this ECZ next July, and its enactment is expected in March 2010. Transport Canada will then develop implementing regulations under the *Canada Shipping Act, 2001*.[41]

Improvement on the ballast water inspection procedures

A recent report from the American government published last March reports a notable increase in the number of ballast tank inspections on commercial ocean-going ships arriving into the Great Lakes-St. Lawrence Seaway network

---

[38] "La récession secoue Canada Steamship Lines", Les Affaires, from March 28 to April 3, 2009.
[39] Ibid

[40] Ryan, Leo, "Problèmes de capacité des ports de Montréal et Québec dénotés", Maritime Magazine, Winter 2008.
[41] "Le Canada et les États-Unis travaillent ensemble à réduire la pollution provenant des navires", Press release, Transport Canada, April 9, 2009.

originating from waters other than American or Canadian. According to the report, between 2007 and 2008, ship operators have also improved on following requirements regarding ballast water.

The report informs us that in 2008, ballast tanks from 99 % of all ocean-going ships making their way towards ports in the Great Lakes – St. Lawrence Seaway network from foreign waters had been inspected, in comparison to 74 % in 2007. Moreover, 98.6 % of all ships met ballast water management requirements, as opposed to 95 % in 2007.[42]

Green Award certification

The Green Award Foundation, whose headquarters are located in Rotterdam, has the goal of encouraging environmental concern in ship-owners and their crew. Green Award is an independent and unbiased organization which has dedicated itself, since 1994, to certifying ocean-going ships throughout the world.

Ocean-going ships with more than 20,000 tonnes of gross registered tonnage (oil tankers and bulk carriers) are evaluated in accordance with their technical conditions, the quality of the crew and management when berthed. Ships which meet these criteria receive the Green Award certification which is subjected to an annual verification and valid for three years. This accreditation certificate certifies that the ship can be considered as being "extra-clean and extra-safe." In exchange, it receives rebates on harbour dues in some thirty or so ports from 7 countries, including Canada. To date, approximately 220 ships are Green Award certified.[43]

A new system for treating waste water from excursion cruise ships

In 2007, Canada adopted a new regulation aimed at fighting pollution incurred by black waters released from ships of all categories. This regulation will gradually become applicable starting in 2011 for the overall Canadian maritime environment and will be aimed at all ship categories, business, fishing or pleasure.

In order to meet this new environmental requirement, Croisières AML endeavoured to develop its own black water treatment system with the collaboration of the naval architectural firm Navtech and Premier Tech Environnement, a company specialized in the treatment of residential and municipal waste waters. The treatment system, which was tested in the treatment of the *Cavalier Maxim* effluent in July 2008, delivered results beyond designers' expectations. So much so that Croisières AML will gradually equip its entire fleet with this new device which will nonetheless need to be adapted in order to operate in salt water, the next step in developing the product.[44]

COMMODITIES

Iron ore

The Quebec iron ore industry is moving in slow motion

The decline in global demand for iron ore, a consequence from the global economic recession, has hit the North Shore's economy hard because it relies, largely, on mining of natural resources.[45]

The Iron Ore of Canada (IOC) mining company has suspended its major expansion project announced in 2008. The project intended an annual production increase from 17 to 22 Mt. The program would have increased production

[42] "Un nouveau rapport fédéral souligne l'amélioration du processus d'inspection de l'eau de ballast dans le réseau Grands Lacs-Voie maritime du Saint-Laurent," Réseau Grands Lacs-Voie maritime du Saint-Laurent, April 15, 2009.
[43] "Le port de Montréal participe à un programme pour encourager les navires certifiés écologiques et sécuritaires", Press release, Montreal Port Authority, January 29, 2009.

[44] "Croisières AML expérimente un nouveau procédé de traitement des eaux noires", L'Escale nautique, number 61, spring 2009.
[45] Lévesque, Fanny; Paradis, Steeve, "Les mineurs du Nord québécois inquiets", Le Soleil, January 27, 2009.

capacity by 50 % by 2011. Furthermore, the mining company announced that its production activities would be stopped in July 2009, for a four-week period.[46]

Wabush Mines will reduce its initial production budget from 2009 to 2.3 Mt, or 2 Mt less than production anticipated in 2008. The mining company has the capacity to produce up to 6 Mt of iron pellets per year.[47]

As for ArcelorMittal Mines Canada, it is less impacted by the economic slowdown since it succeeds in finding payees for its ore product. However, the mining company adopted a cost reducing strategy as well as a moratorium on hiring. At the end of January, the mining company announced that it was going to interrupt one of its two production lines at its pellet plant in Port-Cartier.[48]

Cereals and oilseeds

Anticipated drop in production and Canadian exports

The most recent estimates from Agriculture and Agri-Foods Canada (AAFC) predict that the production of cereals and oilseeds for the 2009-2010 harvest year should decrease by 10 % to find itself at 65.2 Mt, but the global offer would only slightly decrease due to a growth of reserve stocks. Still according to AAFC forecasts, overall usage will drop due to a slight decrease of exports of 3 % and a slight downturn from interior use, but should exceed production. Let us recall that AAFC forecasts are conditional on normal precipitations for growth and harvest periods, as well as good harvest quality.[49]

Aluminium

Reduction in the global production of aluminum

Aluminum was one of the first victims of the global economic recession. Of all industrial metals, aluminum experienced the most difficult start to the year. The deterioration of the global economic situation has had a significant impact on the demand and price of commodities. Consequently, the demand for aluminum greatly decreased on all markets. Aluminum prices have experienced a decline of over 60 % since the summer of 2008. All these factors have greatly affected the profitability of the global aluminum industry.[50]

In Quebec, several investment projects have been slowed down and simply postponed until later, which adds to the production decrease of hundreds of aluminum smelters. Let us recall that the Beauharnois aluminum smelter will cease its activities in 2009. In short, following the example of the global economy, the Canadian aluminum industry, of which approximately 95 % is produced in Quebec, is moving in slow motion.

Lumber and newspapers

Forest cutting has declined by 30 % in Quebec

The Quebec forest industry is facing a serious crisis. Each and every year, forestry volumes allocated to Quebec are 27.9 million cubic meters per year. Thus, data from the Natural Resources Department show that harvest registered by companies last March 31st reached 60 % of allotments and only 52 % of the province's global forestry potential. In other words, the North American demand for lumber is, at this time, anemic and Quebec forestry companies are not using all of their annual

[46] Ibid
[47] Ibid
[48] Ibid
[49] "Canada: perspectives des céréales et oléagineux", Agriculture and Agri-Food Canada, March 6, 2009.

[50] Desgagné, Nancy, "Alcoa - Les travaux de modernisation vont de l'avant", Le Nord-Côtier Économique, March 18, 2009; "Tendances des matières premières", Desjardins - Études économiques, February 5, 2009.

cutting rights allocated by the Quebec government.[51]

Contrary to the United States, the residential real estate market remains quite solid in Canada. Construction starts have slightly dropped in Quebec in 2008, but this is not at all comparable to the American collapse. Given the elevated construction costs, the demand for new homes is moving towards more affordable solutions. Semi-detached houses and row houses are preferred while single family homes are losing ground. This being said, recovery of the demand for lumber from Quebec, and elsewhere in Canada, can only come to fruition with an increase in the American demand and demand from around the world.[52]

Last April, the Canadian Government presented details regarding the $ 170 M planned in the most recent federal budget to help the forestry industry. This assistant is part of the Ottawa economic action plan to confront the global crisis. More recently, the government has planned to invest $ 80 M in developing new generation forestry products and $ 40 M to promote them. Some $ 40 M or so are also planned to explore new interior and international markets for Canadian forestry products. Lastly, $ 10 M will be used to promote the use of Canadian lumber for construction.[53]

Decrease in the North American newspaper demand

Far from improving, the outlook for the Canadian pulp and paper industry is getting even darker due to the American recession which remains the principal market for the Canadian newspaper industry. The reduction in the North-American demand is a trend that has been very stable for more than a decade, but it is getting worse due to the current decrease in advertizing revenues and the decline in daily American printing.[54]

Hydrocarbons

Promising oil bearing potential in Gaspésie

The Pétrolia, Junex and Gastern oil companies will have invested $ 3 M by the end of the summer in order to drill a confirmation well which will enable a better understanding of the magnitude and best method of exploitation of Pétrolia Haldimand 1 which was discovered in 2006 in the Gaspésie area. The oil bearing potential of the Gaspésie area is so important that Pétrolia hopes to produce 5 % of the oil used in Quebec, that is to say 7.5 million barrels annually, within five years. [55]

FERRIES

The winter-time ferry service to Magdalen Islands is a great success

The first winter crossing pilot project between Prince Edward Island and Magdalen Islands has proven to be a great success. Forecasted custom was largely exceeded. Almost 3,000 passengers took advantage of the new service in February and March. This is almost one and a half times the number forecasted by the carrier. As for the number of cars, expectations were exceeded by 75 %.

The decision to maintain or cancel the winter crossings lies with Transport Canada as the financing awarded to the CTMA Company by the federal government is the key factor to a commercially feasible service. CTMA estimates that the service should remain as it could easily

---

[51] Tremblay, Louis, "Coupes forestières en baisse de 30 %", Progrès-Dimanche, March 26, 2009.
[52] "Spécial secteur forestier - Les règles du jeu changent, l'industrie forestière aussi... ", Economic and financial forecasts, Desjardins Études économiques, volume 18 / Summer 2008.
[53] "À la recherche de produits et de marchés", Radio-Canada Website; April 14, 2009.

[54] "La crise financière et économique la plus ardue", Economic and financial forecasts, Desjardins Études économiques, volume 18 / Summer 2008.
[55] Gagné, Gilles, "Trois sociétés pétrolières investiront 3M$ à Gaspé", Le Soleil, February 21, 2009, Thériault, Carl, "Exploration pétrolière en Gaspésie - Pétrolia garde le cap", Le Soleil, November 21, 2009.

reach a total of 5,000 to 6,000 passengers in the winter.[56]

Replacement of the Baie-Comeau/Matane/Godbout ferry

The "Société des traversiers du Québec" (STQ) will wait until the end of the year to submit their replacement option for the ferry which links Matane to the Côte-Nord. Three options are being contemplated: purchasing a new ship, refurbishing the present ferry or alternating between a summer ship and a winter ship.[57]

EXCURSION CRUISES

Extension of the cruise-excursion season with the addition of international cruises

The international cruises expected at Ville de Saguenay in the fall will be an opportunity for the cruise-excursion owners to extend their season. Strangely enough, even if numerous cruise passengers spend a lot of time on the water, they would still be interested in enjoying a cruise-excursion which would take them to the fjord. Cruise ships sail at night which prevents passengers from discovering the fjord. Last year, seating was sold out and with the addition of fifteen new boats this year, owners of Croisières du Fjord expect a record year.[58]

INTERNATIONAL CRUISES

Changes expected at the Port of Quebec in 2009

The international cruise season at the Quebec port will be filled with new events, notably the inaugural arrival of ships such as the Qeen Victoria, the Norwegian Spirit and the Princess Danae. As well the European Costa Cruises will sail for the first time along the Saint Lawrence River. In all, almost 124,000 passengers and crew members are expected this season in Quebec with 71 stopovers.[59]

The arrival of Carnival Cruise Lines in 2010

The "Administration portuaire de Québec" (APQ), in partnership with Croisières Baie-Comeau and the Corporation for the Development and Management of the Havre-Saint-Pierre port announced the postponement of Carnival Cruise Lines' arrival on the Saint Lawrence River until 2010. More specifically, so as to ensure the permanence of a new product during the summer season all the while taking the economical context into consideration, the three new stopovers making up the new itinerary "Quebec – after the Glaciers," were postponed in agreement with the largest international cruise line and the new excursions will start in 2010. As well, Carnival Cruise Lines will be using a larger ship, the Carnival Glory, for the 2010 trips.[60]

International cruises: a promising market for the Gaspésie region

The tourism industry brings in more than $ 300 M per year from companies in the Gaspésie and Magdalen Islands, revenues that Tourisme Gaspésie hopes to increase by 50 % by 2010. In order to do so, the region is relying on the expansion of the cruise-ship market. More than 10,000 cruises coming from the Northeastern Atlantic will make stopovers in Gaspé from May to October. According to the Escale Gaspésie organization, this market could double within the next five years, due to the numerous tourism assets which are offered by the Gaspé Peninsula to attract an international clientele seeking the exotic.[61]

---

[56] "Un projet pilote couronné de succès", Radio-Canada Website, April 20, 2009.
[57] "En attente d'une solution", Radio-Canada Website, February 16, 2009.
[58] Labrie, Isabelle, "Une belle occasion de prolonger la saison", Le Quotidien, April 4, 2009.
[59] "De belles distinctions pour le port de Québec", Press release, Quebec Port Authority, March 27, 2009.
[60] "La venue de Carnival Cruise Lines reportée en 2010 avec un navire de plus gros gabarit", Press release, Association des croisières du Saint-Laurent, January 23, 2009.
[61] Hébert, Claudine, "Les croisières, un marché prometteur", Les Affaires, from March 28 to April 3, 2009.

Sept-Îles gets ready to accommodate

The City of Sept-Îles is allocating a $ 60,000 grant to Destination Sept-Îles - Nakauinanu in order to allow the company to install temporary infrastructures to welcome a first cruise ship. Next May 19, the first cruise ship passengers will disembark from the *Maasdam*. The city and its two partners, the Sept-Îles-Maliotenam band council and the Port of Sept-Îles plan to invest $ 10 M to develop permanent infrastructures in order to receive even more cruise ship passengers.[62]

COMMENTS

For all comments, please send to:

Martial Ménard, economist

Policy and Economics Branch

Fisheries and Oceans Canada, Québec region

Tel.: **(418) 648-5939**

Fax: **(418) 649-8003**

E-mail: **martial.menard@dfo-mpo.gc.ca**

Marine Outlook is a quarterly reporting the highlights of marine transport activities in Québec.

Produced by:

Policy and Economics Branch
Fisheries and Oceans Canada
104 rue Dalhousie
Québec (Québec)
G1K 7Y7

May 2009

[62] "Se préparer à recevoir", Radio-Canada Website, April 15, 2009.